

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE
COMMISSION OF THE ENVIRONMENTAL
SURCHARGE MECHANISM OF BIG RIVERS
ELECTRIC CORPORATION AS BILLED FROM
OCTOBER 1, 1995 TO MARCH 31, 1996**

CASE NO. 96-327

**DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN**

**ON BEHALF OF
THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

**J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA**

OCTOBER 1996

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CASE NO. 96-327

DIRECT TESTIMONY OF LANE KOLLEN

1

2

I. QUALIFICATIONS AND SUMMARY

3

4 **Q. Please state your name and business address.**

5

6 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
7 ("Kennedy and Associates"), 35 Glenlake Parkway, Suite 475, Atlanta, Georgia
8 30328.

9

10 **Q. What is your occupation and by whom are you employed?**

11

12 A. I am a utility rate and planning consultant holding the position of Vice President and
13 Principal with the firm of Kennedy and Associates.

14

15 **Q. Please describe your education and professional experience.**

1 A. I received my Bachelor of Business Administration in Accounting from the
2 University of Toledo. I also received a Master of Business Administration from the
3 University of Toledo. I am a Certified Management Accountant ("CMA") and a
4 Certified Public Accountant ("CPA").

5
6 Since 1986, I have held various positions with Kennedy and Associates. I specialize
7 in revenue requirements analyses, taxes, the evaluation of rate and financial impacts
8 of traditional and non-traditional ratemaking, and other utility strategic, operational,
9 financial, and accounting issues.

10
11 From 1983 to 1986, I held various positions with the consulting group at Energy
12 Management Associates. I specialized in utility finance, utility accounting issues, and
13 computer financial modeling. I also directed consulting and software projects
14 utilizing PROSCREEN II and ACUMEN proprietary software products to support
15 utility rate case filings, budgets, internal management and external reporting, and
16 strategic and financial analyses.

17
18 From 1976 to 1983, I held various positions with The Toledo Edison Company in the
19 Accounting and Corporate Planning Divisions. From 1980 to 1983, I was responsible
20 for the Company's financial modeling and financial evaluation of the Company's
21 strategic plans. In addition, I was responsible for the preparation of the capital

1 budget, various forecast filings with regulatory agencies, and assistance in rate and
2 other strategy formulation. I utilized the strategic planning model PROSCREEN II,
3 the production costing model, PROMOD III, and other software products to evaluate
4 capacity swaps, sales, sale/leasebacks, cancellations, write-offs, unit power sales, and
5 long term system sales, among other strategic options. From 1976 to 1980, I held
6 various other positions in the Budget and Accounting Reports, Property Accounting,
7 Tax Accounting, and Internal Audit sections of the Accounting Division.

8
9 I have appeared as an expert witness on accounting, finance, and planning issues
10 before regulatory commissions and courts in numerous states on nearly one hundred
11 occasions. In addition, I have developed and presented papers at various industry
12 conferences on utility rate, accounting, and tax issues. My qualifications and
13 regulatory appearances are further detailed in my Exhibit ____ (LK-1).

14
15 **Q. Please describe the firm of Kennedy and Associates.**

16
17 A. Kennedy and Associates provides consulting services in the electric, gas, and
18 telecommunications utilities industries. The firm provides expertise in system
19 planning, load forecasting, financial analysis, revenue requirements, cost of service,
20 and rate design. Clients include state agencies and industrial electricity and gas
21 consumers.

1 **Q. On whose behalf are you testifying?**

2

3 A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc. a group
4 consisting of Alcan Aluminum Corporation, NSA, Inc., and Commonwealth, the two
5 largest and fourth largest customers on the Big Rivers' system.

6

7 **Q. What is the purpose of your testimony?**

8

9 A. The purpose of my testimony is to address the Company's treatment of two costs
10 through its environmental surcharge filings, the first related to an increase in
11 depreciation rates and expense on environmental compliance assets, and the second
12 related to ash pond dredging costs incurred at the Coleman Plant.

13

14 **Q. Please summarize your testimony.**

15

16 A. Big Rivers unilaterally increased the depreciation rate and the depreciation expense
17 on its environmental compliance assets effective January 1, 1996. Big Rivers did not
18 seek and does not have ratemaking authority from this Commission to make that
19 change. The fact that Big Rivers obtained two year temporary approval from the
20 RUS for the depreciation change is irrelevant for Kentucky retail ratemaking
21 purposes. Further, Big Rivers failed to seek a concurrent reduction in base rates to
22 reflect the reduction in depreciation rates and expense for all other asset categories.

23

24

1 I recommend that the Commission direct Big Rivers to reverse the expense effects
2 of any depreciation rate changes implemented this year, to discontinue the recovery
3 through the surcharge of an increase in the depreciation rate for the environmental
4 compliance assets, and to refund any amounts previously collected through the
5 surcharge due to the increase in rates.

6
7 Big Rivers incurred and recovered through the environmental surcharge mechanism
8 an unusual and nonrecurring amount of ash pond dredging costs at the Coleman plant
9 during the review period. Big Rivers incurred the costs on an accelerated basis due
10 to its expectation that cash flow in 1996 would be substantially reduced upon the
11 smelters reaching their respective termination account balances. The dredging costs
12 have a long term benefit, similar to any other asset, and should be deferred and
13 amortized for ratemaking purposes.

14
15 I recommend that the Commission direct Big Rivers to refund \$1.402 million in
16 unusual and nonrecurring Coleman dredging costs incurred and recovered through the
17 environmental surcharge mechanism during the review period. Further, I recommend
18 that the Commission direct Big Rivers to defer the excessive cost and amortize it over
19 a six year period.

1 **Q. How did these depreciation rate changes affect the environmental surcharge**
2 **costs in Big Rivers' monthly filings?**

3
4 A. Commencing with the March 1996 environmental surcharge filing, Big Rivers
5 significantly increased the depreciation expense component of the environmental
6 surcharge computation. In the March 1996 filing, the Company included three
7 months effect of the increased rate in depreciation expense and in the accumulated
8 depreciation balance. In April 1996 and all subsequent months, the Company
9 included the current month effect of the increased rate on depreciation expense and
10 in the accumulated depreciation balance.

11
12 **Q. Did Big Rivers seek this Commission's authorization to implement the**
13 **depreciation rate changes for ratemaking purposes?**

14
15 A. No. The Company's failure to seek Commission authorization to implement
16 depreciation rate changes represents an attempt to circumvent the Commission's
17 regulatory authority through an act of unilateral ratemaking. Big Rivers had no
18 authority to change its depreciation rates for ratemaking purposes, yet it increased the
19 rates and depreciation expense included as a cost and then recovered that cost through
20 the environmental surcharge mechanism.

21
22 **Q. Did Big Rivers seek the RUS's authorization to implement the depreciation rate**
23 **changes?**

1 A. Yes. On March 13, 1995, the Company requested approval of the new production
2 and transmission plant rates. The Company was not required to seek RUS approval
3 of any changes to general plant. A copy of this request is replicated as my
4 Exhibit ___(LK-3). After more than one year, on April 17, 1996, the RUS approved
5 the new production and transmission plant depreciation rates for a two year period
6 with retroactive application to January 1, 1996. A copy of the RUS approval is
7 replicated as my Exhibit ___(LK-4).

8
9 **Q. What is the ratemaking significance of the RUS approval?**

10
11 A. The RUS approval has no ratemaking significance. First, I am advised by counsel
12 that the RUS has no retail ratemaking authority in Kentucky. Thus, the RUS's
13 authorization is irrelevant for this Commission's ratemaking purposes. The RUS's
14 statutory interest in depreciation rates stems from its creditor relationship with Big
15 Rivers, not from any ratemaking authority. As a creditor, the RUS has a financial
16 incentive to maximize Big Rivers' cash flow and debt repayment. As a regulator,
17 this Commission has the statutory duty to set just and reasonable rates for the public.
18 Those two distinct functions do not always coincide and are often in conflict. That
19 conflict exists here.

20
21 Second, Big Rivers concedes that under RUS rules, the Commission has ratemaking
22 and accounting jurisdiction superseding the RUS in its letter requesting RUS approval
23 of the depreciation rates (see Exhibit ___(LK-3)).
24

1 Third, since this Commission holds retail ratemaking authority, it holds the authority
2 to establish Big Rivers' depreciation rates for ratemaking purposes, not the RUS, and
3 certainly not Big Rivers itself. The ratemaking treatment of depreciation expense
4 determines the accounting recognition of depreciation expense, not vice versa.

5
6 Fourth, this Commission recognized in Case No. 92-043, regarding SFAS No. 106
7 postretirement benefits expense, that it had the authority to determine the level of
8 expense for ratemaking purposes regardless of FERC or GAAP accounting
9 requirements. In that case, the Commission accepted the principle that accounting
10 followed ratemaking, not vice versa. The Commission stated that

11
12
13 **"The FERC system of accounts mandates accounting treatment**
14 **for expenses and revenues, not rate-making treatment."**

15
16 Thus, even if Big Rivers arguably has RUS accounting authorization, this
17 Commission has previously found that similar authorization is irrelevant for
18 ratemaking purposes.

19
20 Fifth, the RUS provided its approval for only two years subject to another review at
21 that time, and then only after consideration that apparently extended for more than
22 one year from the Company's request. The completion of the two year period closely
23 coincides with the expiration of the ten year smelter tariffs, and clearly provided the
24 RUS another review opportunity on its terms. To the extent the Commission accords

1 the RUS's approval any ratemaking validity during this or subsequent environmental
2 surcharge proceedings, it may establish a precedent for the RUS's action on
3 depreciation rates pursuant to its review next year.

4
5 Sixth, Big Rivers unilaterally initiated the depreciation rate change process in
6 anticipation of the commencement of the environmental surcharge mechanism. The
7 Company solicited bids for a depreciation study, and for the first time segregated the
8 environmental compliance assets from other steam production assets. The timing of
9 the Company's activities in this respect was discretionary and was tied directly to
10 enhancing its revenue recovery through the environmental surcharge mechanism. The
11 Company should not be rewarded by the Commission for attempting to game the
12 regulatory process.

13
14 **Q. Are there other ratemaking concepts that have been violated by Big Rivers in**
15 **its unilateral implementation of a rate increase due to the depreciation rate**
16 **changes?**

17
18 **A.** Yes. First, Big Rivers engaged directly in improper retroactive ratemaking.
19 Although it did not receive authorization from the RUS to change its rates until April
20 17, 1996, it reached back into January, February, and March to increase its

1 depreciation expense and recovery through the environmental surcharge mechanism.

2

3 Second, the Company engaged in very selective single issue ratemaking. The
4 Company made no attempt to reduce customer base rates to reflect the lower
5 depreciation rates and expense on its non environmental compliance assets
6 concurrently with the increase in its depreciation rates and expense on environmental
7 compliance assets. The annual reduction in depreciation expense on non
8 environmental compliance assets as the result of its depreciation rate changes is
9 approximately \$13.2 million, which Big Rivers has and will continue to retain absent
10 Commission action.

11

12 Third, the Company's retention of the \$13.2 million annually in reduced depreciation
13 expense could be reflected in a higher rate base in future cost-based rate proceedings,
14 thus resulting in further improper retroactive ratemaking.

15

16 Fourth, if the Commission does not decisively address this issue with Big Rivers, it
17 may have the effect of opening the floodgates for similar unilateral ratemaking
18 actions by other utilities without first seeking the Commission's authorization.

19

1 **Q. Have you quantified the effect of the Company's recovery through the**
2 **environmental surcharge mechanism of the increased depreciation rate and**
3 **expense?**

4
5 A. Yes. The annualized effect is approximately \$3.2 million based upon actual data
6 filed by the Company for the January 1996 through August 1996 period. This
7 quantification includes both the increased depreciation expense effect and the
8 increased accumulated depreciation reserve effect on the debt service cost. The
9 computations are detailed on my Exhibit___(LK-5)

10
11 **Q. What is your recommendation?**

12
13 A. I recommend that the Commission direct Big Rivers to reverse the expense effects
14 of all depreciation rate changes unilaterally implemented this year, to immediately
15 discontinue the recovery of the higher depreciation rates through the surcharge, and
16 to refund any amounts collected through the surcharge due to the higher depreciation
17 rates, although the precise quantification of those refunds may be the subject of
18 subsequent six month reviews.

III. COLEMAN DREDGING

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Q. Please describe the Coleman dredging activity during the review period.

A. During the August 1995 through December 1995 period, the Company incurred \$1.528 million to dredge bottom and fly ash from the pond on the Coleman Plant site. According to interviews with Company personnel conducted by KIUC and the Kentucky Attorney General, dredging had been ongoing since late 1993 or early 1994, but was accelerated in late 1995 due to projected cash flow reductions in 1996. The projected cash flow reduction was due to the prepayment by the smelters of all demand costs under the ten year smelter tariffs by April 1998, after which the smelters' payments were reduced to energy only costs.

Q. Please describe the previous dredging activity at the Coleman Plant site.

A. Dredging had been performed at Coleman on only one other occasion from 1987 to 1990.

Q. What year did the Coleman Plant enter commercial operation?

A. The last unit at the Coleman Plant was placed into service in 1972.

1 **Q. What conclusions are indicated by these facts?**

2

3 A. First, the timing of the dredging is discretionary. According to Big Rivers, there was
4 no dredging activity from 1972 until some time in 1987 and then from some time in
5 1990 until late 1993 or early 1994. There was no dredging activity performed at the
6 Coleman Plant during 1992, the base year for the determination of environmental
7 surcharge costs. Moreover, the Company was able to accelerate and then discontinue
8 dredging based upon cash flow considerations rather than operating considerations.

9

10 Second, dredging creates future capacity for additional deposits of bottom and fly ash.
11 As such, dredging and withdrawal in excess of current deposits creates an asset for
12 the Company that will be utilized in the future.

13

14 Third, dredging could be considered to be necessary on a six year or longer cycle
15 based upon the first dredging at the site commencing in 1987 and the second
16 dredging commencing in 1993.

17

18 **Q. Should these costs be capitalized or deferred and amortized?**

19

20 A. Yes. First, the Commission, through its ratemaking authority, should direct the
21 Company to capitalize or defer any abnormal and nonrecurring costs and direct that

1 recovery of those costs be over the future period of time expected to benefit from the
2 incurrence of those costs. As a matter of regulatory policy, that would be appropriate
3 since an asset has been created that will be available for use in periods subsequent
4 to the review period in this proceeding. The asset should be depreciated or amortized
5 over its useful life, which would be six or more years, based upon the Coleman
6 dredging history.

7
8 Second, the accounting would then follow the ratemaking treatment. The Company
9 would reverse its prior expense accounting, establish a plant in service or deferred
10 asset, and then depreciate or amortize the asset over its expected useful life.

11
12 Third, deferral and amortization of the dredging costs incurred during the period
13 would promote the regulatory objectives of matching and intergenerational equity
14 among ratepayers. Ratepayers would pay for the use of the ash pond capacity as it
15 is utilized for bottom and fly ash generated at the site. This ensures a matching of
16 costs and benefits as well as assigning costs to the appropriate generations of both on-
17 and off-system consumers of power produced at Coleman. This is true whether Big
18 Rivers continues to operate the plant, or it is operated by a third party such as
19 Pacificorp.

20

1 **Q. Is the Company economically harmed if the Commission directs it to defer and**
2 **amortize the Coleman dredging costs?**

3

4 A. No. The Company fully recovers these costs, but over the expected life of the asset
5 created, not over the accelerated time period employed by the Company in its
6 surcharge filings.

7

8 **Q. What is your recommendation with respect to the Coleman dredging costs**
9 **incurred during the review period?**

10

11 A. I recommend that the Commission direct Big Rivers to defer the Coleman dredging
12 costs commencing in August 1995 and amortize the costs over six years. The
13 unamortized cost would be included in rate base to determine the debt service
14 component of the surcharge revenue requirement. I recommend a refund for the
15 review period of \$1.402 million and a monthly amortization of \$0.022 million for
16 future review periods. The computations of these amounts are detailed on my Exhibit
17 ____ (LK-6).

18

19 **Q. As a broader issue, does the Company obtain any benefits from recognizing a**
20 **cost as an expense rather than capitalizing or deferring it?**

21

1 A. Yes. All else equal and subject to its discretion, Big Rivers would clearly prefer to
2 recognize an environmental compliance cost as an expense rather than as a capital or
3 deferral item. To the extent the Company can recognize an environmental
4 compliance cost as an expense, it results in an almost immediate cash recovery
5 through the operation of the environmental surcharge mechanism. To the extent the
6 Company must capitalize or defer that cost, it results in a lag in recovery even though
7 there is ultimately full compensation.

8

9 **Q. Given the benefits to Big Rivers of recognizing costs as expenses rather than**
10 **capital or deferral items, do you have any further recommendations?**

11

12 A. Yes. Given the strong motivation of almost immediate cash recovery through the
13 environmental surcharge mechanism, the Commission should be vigilant to search for
14 abnormal and nonrecurring costs charged to expense and for changes in the
15 Company's formal or informal capitalization versus expense policies.

16

17 To the extent that there are abnormal and nonrecurring costs charged to expense, such
18 as the accelerated Coleman dredging costs, and assuming the costs were prudently
19 incurred, the Commission should direct Big Rivers to identify those costs in its
20 monthly environmental surcharge filings and to defer and amortize them subject to
21 Commission review. In addition, the Commission should direct Big Rivers to

1 identify in its monthly environmental surcharge filings any changes in formal or
2 informal capitalization versus expense policies and to quantify the effects of such
3 changes.

4

5 **Q. Does this complete your testimony?**

6

7 **A. Yes.**

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EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF

THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

**J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA**

OCTOBER 1996

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

PROFESSIONAL CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Institute of Certified Management Accountants

Institute of Management Accountants

Seventeen years utility industry experience in the financial, rate, and planning areas. Specialization in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisition diversification. Expertise in proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

RESUME OF LANE KOLLEN, VICE PRESIDENT

EXPERIENCE

1986 to

Present:

Kennedy and Associates: Vice President and Principal. Responsible for utility revenue requirements analysis, cash flow projections and solvency, financial and cash effects of traditional and nontraditional ratemaking, and research, speaking and writing on the effects of tax law changes. Testimony before Connecticut, Florida, Georgia, Indiana, Louisiana, Kentucky, Minnesota, North Carolina, Ohio, Pennsylvania, Texas, and West Virginia Public Service Commissions and the Federal Energy Regulatory Commission.

1983 to

1986:

Energy Management Associates: Lead Consultant.
Consulting in the areas of strategic and financial planning, traditional and nontraditional ratemaking, rate case support and testimony, diversification and generation expansion planning. Directed consulting and software development projects utilizing PROSCREEN II and ACUMEN proprietary software products. Utilized ACUMEN detailed corporate simulation system, PROSCREEN II strategic planning system and other custom developed software to support utility rate case filings including test year revenue requirements, rate base, operating income and pro-forma adjustments. Also utilized these software products for revenue simulation, budget preparation and cost-of-service analyses.

1976 to

1983:

The Toledo Edison Company: Planning Supervisor.
Responsible for financial planning activities including generation expansion planning, capital and expense budgeting, evaluation of tax law changes, rate case strategy and support and computerized financial modeling using proprietary and nonproprietary software products. Directed the modeling and evaluation of planning alternatives including:

- Rate phase-ins.
- Construction project cancellations and write-offs.
- Construction project delays.
- Capacity swaps.
- Financing alternatives.
- Competitive pricing for off-system sales.
- Sale/leasebacks.

RESUME OF LANE KOLLEN, VICE PRESIDENT

CLIENTS SERVED

Industrial Companies and Groups

Air Products and Chemicals, Inc.	Lehigh Valley Power Committee
Airco Industrial Gases	Maryland Industrial Group
Alcan Aluminum	Multiple Intervenors (New York)
Armco Advanced Materials Co.	National Southwire
Armco Steel	North Carolina Industrial Energy Consumers
Bethlehem Steel	Occidental Chemical Corporation
Connecticut Industrial Energy Consumers	Ohio Industrial Energy Consumers
ELCON	Ohio Manufacturers Association
Enron Gas Pipeline Company	Philadelphia Area Industrial Energy Users Group
Florida Industrial Power Users Group	PSI Industrial Group
General Electric Company	Smith Cogeneration
GPU Industrial Intervenors	Taconite Intervenors (Minnesota)
Indiana Industrial Group	West Penn Power Industrial Intervenors
Industrial Consumers for Fair Utility Rates - Indiana	West Virginia Energy Users Group
Industrial Energy Consumers - Ohio	Westvaco Corporation
Kentucky Industrial Utility Consumers	

Regulatory Commissions and Government Agencies

Georgia Public Service Commission Staff
Kentucky Attorney General's Office, Division of Consumer Protection
Louisiana Public Service Commission Staff
New York State Energy Office
Office of Public Utility Counsel (Texas)

RESUME OF LANE KOLLEN, VICE PRESIDENT

Utilities

Allegheny Power System
Atlantic City Electric Company
Carolina Power & Light Company
Cleveland Electric Illuminating Company
Delmarva Power & Light Company
Duquesne Light Company
General Public Utilities
Georgia Power Company
Middle South Services
Nevada Power Company
Niagara Mohawk Power Corporation

Otter Tail Power Company
Pacific Gas & Electric Company
Public Service Electric & Gas
Public Service of Oklahoma
Rochester Gas and Electric
Savannah Electric & Power Company
Seminole Electric Cooperative
Southern California Edison
Talquin Electric Cooperative
Tampa Electric
Texas Utilities
Toledo Edison Company

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdiction	Party	Utility	Subject
10/86	U-17282 Interim	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
11/86	U-17282 Interim Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
12/86	9613	KY	Attorney General Div. of Consumer Protection	Big Rivers Rivers Electric Corp.	Revenue requirements accounting adjustments financial workout plan.
1/87	U-17282 Interim 19th Judicial District Ct.	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements, financial solvency.
3/87	General Order 236	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Tax Reform Act of 1986.
4/87	U-17282 Prudence	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
4/87	M-100 Sub 113	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Tax Reform Act of 1986.
5/87	86-524-E-	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements. Tax Reform Act of 1986.
5/87	U-17282 Case In Chief	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Case In Chief Surrebut	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Prudence Surrebut	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.
8/87	9885	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Financial workout plan.
8/87	E-015/GR-87-223	MN	Taconite Intervenor	Minnesota Power & Light Co.	Revenue requirements, O&M expense, Tax Reform Act of 1986.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdict.	Party	Utility	Subject
10/87	870220-E1	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
11/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Tax Reform Act of 1986.
1/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, rate of return.
2/88	9934	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Economics of Trimble County completion.
2/88	10064	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, O&M expense, capital structure, excess deferred income taxes.
5/88	10217	KY	Alcan Aluminum National Southwire	Big Rivers Electric Corp.	Financial workout plan.
5/88	M-87017-1C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery.
5/88	M-87017-2C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery.
6/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.
7/88	M-87017-1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92
7/88	M-87017-2C005 Rebuttal	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery, SFAS No. 92
9/88	88-05-25	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Excess deferred taxes, O&M expenses.
9/88	10064 Rehearing	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Premature retirements, interest expense.
10/88	88-170-EL-AIR	OH	Ohio Industrial Energy Consumers	Cleveland Electric Illuminating Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdct.	Party	Utility	Subject
10/88	88-171-EL-AIR	OH	Ohio Industrial Energy Consumers	Toledo Edison Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	8800 355-EI	FL	Florida Industrial Power Users' Group	Florida Power & Light Co.	Tax Reform Act of 1986, tax expenses, O&M expenses, pension expense (SFAS No. 87).
10/88	3780-U	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Co.	Pension expense (SFAS No. 87).
11/88	U-17282 Remand	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Rate base exclusion plan (SFAS No. 71)
12/88	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87).
12/88	U-17949 Rebuttal	LA	Louisiana Public Service Commission Staff	South Central Bell	Compensated absences (SFAS No. 43), pension expense (SFAS No. 87), Part 32, income tax normalization.
2/89	U-17282 Phase II	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, phase-in of River Bend 1, recovery of cancelled plant.
6/89	881602-EU 890326-EU	FL	Talquin Electric Cooperative	Talquin/City of Tallahassee	Economic analyses, incremental cost-of-service, average customer rates.
7/89	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87), compensated absences (SFAS No. 43), Part 32.
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cancellation cost recovery, tax expense, revenue requirements.
8/89	3840-U	GA	Georgia Public Service Commission Staff	Georgia Power Co.	Promotional practices, advertising, economic development.
9/89	U-17282 Phase II Detailed	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
10/89	8880	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Deferred accounting treatment, sale/leaseback.
10/89	8928	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Revenue requirements, imputed capital structure, cash working capital.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdiction	Party	Utility	Subject
10/89	R-891364	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements.
11/89 12/89	R-891364 Surrebuttal (2 Filings)	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements, sale/leaseback.
1/90	U-17282 Phase II Detailed Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
1/90	U-17282 Phase III	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in of River Bend 1, deregulated asset plan.
3/90	890319-EI	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	890319-EI Rebuttal	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Fuel clause, gain on sale of utility assets.
9/90	90-158	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, post-test year additions, forecasted test year.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements.
3/91	29327, et. al.	NY	Multiple Intervenors	Niagara Mohawk Power Corp.	Incentive regulation.
5/91	9945	TX	Office of Public Utility Counsel of Texas	El Paso Electric Co.	Financial modeling, economic analyses, prudence of Palo Verde 3.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Recovery of CAAA costs, least cost financing.
9/91	91-231 -E-NC	WV	West Virginia Energy Users Group	Monongahela Power Co.	Recovery of CAAA costs, least cost financing.
11/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Asset impairment, deregulated asset plan, revenue requirements.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdict.	Party	Utility	Subject
12/91	91-410-EL-AIR	OH	Air Products and Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
12/91	10200	TX	Office of Public Utility Counsel of Texas	Texas-New Mexico Power Co.	Financial integrity, strategic planning, declined business affiliations.
5/92	910890-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, pension expense, OPEB expense, fossil dismantling, nuclear decommissioning.
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
9/92	92-043	KY	Kentucky Industrial Utility Consumers	Generic Proceeding	OPEB expense.
9/92	920324-EI	FL	Florida Industrial Power Users' Group	Tampa Electric Co.	OPEB expense.
9/92	39348	IN	Indiana Industrial Group	Generic Proceeding	OPEB expense.
9/92	910840-PU	FL	Florida Industrial Power Users' Group	Generic Proceeding	OPEB expense.
9/92	39314	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	OPEB expense.
11/92	U-19904	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
11/92	8649	MD	Westvaco Corp., Eastalco Aluminum Co.	Potomac Edison Co.	OPEB expense.
11/92	92-1715-AU-COI	OH	Ohio Manufacturers Association	Generic Proceeding	OPEB expense.
12/92	R-00922378	PA	Armco Advanced Materials Co., The WPP Industrial Intervenors	West Penn Power Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
12/92	U-19949	LA	Louisiana Public Service Commission Staff	South Central Bell	Affiliate transactions, cost allocations, merger.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdct.	Party	Utility	Subject
12/92	R-00922479	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	OPEB expense.
1/93	8487	MD	Maryland Industrial Group	Baltimore Gas & Electric Co., Bethlehem Steel Corp.	OPEB expense, deferred fuel, CWIP in rate base
1/93	39498	IN	PSI Industrial Group	PSI Energy, Inc.	Refunds due to over-collection of taxes on Marble Hill cancellation.
3/93	92-11-11	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	OPEB expense.
3/93	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
3/93	93-01 EL-EFC	OH	Ohio Industrial Energy Consumers	Ohio Power Co.	Affiliate transactions, fuel.
3/93	EC92-21000 ER92-806-000	FERC	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
4/93	92-1464- EL-AIR	OH	Air Products Armco Steel Industrial Energy Consumers	Cincinnati Gas	Revenue requirements, phase-in plan.
4/93	EC92-21000 ER92-806-000 (Rebuttal)	FERC	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
9/93	93-113	KY	Kentucky Industrial Utility Customers	Kentucky Utilities	Fuel clause and coal contract refund.
9/93	92-490, 92-490A, 90-360-C	KY	Kentucky Industrial Utility Customers and Kentucky Attorney General	Big Rivers Electric Corp.	Disallowances and restitution for excessive fuel costs, illegal and improper payments, recovery of mine closure costs.
10/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Revenue requirements, debt restructuring agreement, River Bend cost recovery.
1/94	U-20647	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Audit and investigation into fuel clause costs.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdic.	Party	Utility	Subject
4/94	U-20647 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Nuclear and fossil unit performance, fuel costs, fuel clause principles and guidelines.
5/94	U-20178	LA	Louisiana Public Service Commission	Louisiana Power & Light Co.	Planning and quantification issues of least cost integrated resource plan.
9/94	U-19904 Initial Post- Merger Earnings Review	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
9/94	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, exclusion of River Bend, other revenue requirement issues.
10/94	3905-U	GA	Georgia Public Service Commission	Southern Bell Telephone & Telegraph Co.	Incentive rate plan, earnings review.
10/94	5258-U	GA	Georgia Public Service Commission	Southern Bell Telephone & Telegraph Co.	Alternative regulation, cost allocation.
11/94	U-19904 Initial Post- Merger Earnings Review (Rebuttal)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
11/94	U-17735 (Rebuttal)	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, exclusion of River Bend, other revenue requirement issues.
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Revenue requirements. Fossil dismantling, nuclear decommissioning.
6/95	3905-U	GA	Georgia Public Service Commission	Southern Bell Telephone & Telegraph Co.	Incentive regulation, affiliate transactions, revenue requirements, rate refund.
6/95	U-19904 (Direct)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
10/95	95-02614	TN	Tennessee Office of the Attorney General Consumer Advocate	BellSouth Telecommunications, Inc.	Affiliate transactions.
10/95	U-21485 (Direct)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.

**Expert Testimony Appearances
of
Lane Kollen
As of October 1996**

Date	Case	Jurisdct.	Party	Utility	Subject
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Division	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95 12/95	U-21485 (Subplemental Direct) I-21485 (Surrebuttal)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
1/96	95-299- EL-AIR 95-300- EL-AIR	OH	Industrial Energy Consumers	The Toledo Edison Co. The Cleveland Electric Illuminating Co.	Competition; asset writeoffs and revaluation, O&M expense, other revenue requirement issues.
7/96	8725	MD	The Maryland Industrial Group and Redland Genstar, Inc.	Baltimore Gas & Electric Co., Potomac Electric Power Co. and Constellation Energy Corp.	Merger savings, tracking mechanism, earnings sharing plan, revenue requirement issues.
9/96	U-22092	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues, allocation of regulated/nonregulated costs.

M E M O R A N D U M

TO: Paul Schmitz
 FROM: John West
 RE: Depreciation Study
 DATE: February 1, 1995

Big Rivers received the results of the comprehensive Depreciation Study by Management Resources International (MRI) of Reading, Pennsylvania. MRI is a engineering consulting firm with more than 25 years experience devoted to the public utility industry. They are a recognized expert in the field of depreciation having performed more than 200 depreciation studies for gas, electric, steam, and water utilities. They have appeared as an expert depreciation witness before 16 state and municipal utility regulatory agencies and FERC.

This study was authorized by the Board on July 8, 1994 and represents the first such study since 1980. The study results estimate different average service lives from those currently in use, as shown below:

<u>Plant Function</u>	<u>Average Service Life (Years)</u>	
	<u>Existing</u>	<u>Study</u>
Steam Production	32.3	40.6
Other Production	33.3	49.9
Transmission	36.4	42.5
General	10.7	13.9

A schedule comparing existing and recommended accrual rates follows:

	<u>Percentage</u>	
	<u>Existing</u>	<u>Proposed</u>
Steam Production	3.10	1.94
EC Steam Production	3.10	4.25
Other Production Plant	3.00	1.45
Transmission Plant	2.75	2.49

Exhibit 2
 Item 13
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	<u>Percentage</u>	
	<u>Existing</u>	<u>Proposed</u>
General Plant:		
Structures & Improvements	2.00	2.00
Office Furniture & Equipment	6.00	4.55
Computer Equipment/PCs/AS400	20.00	14.29
Engineering Computer	12.50	10.00
Transportation Equipment	14.00	12.50
Transportation Equip-Special	14.00	8.33
Stores Equipment	4.00	4.00
Tools, Shop & Garage Equip.	6.00	4.00
Lab Equipment	4.00	3.33
Power Operated Equipment	14.00	8.33
Go-Tract Vehicle	14.00	8.33
Communication Equipment	6.50	5.00
Miscellaneous Equipment	5.00	6.67

The adoption of these proposed rates listed above will result in a reduction of annual depreciation from \$46 million in 1994 to \$36 million in 1995.

I recommend that the Board approve these new rates for immediate implementation, subject to RUS approval.

BIG RIVERS ELECTRIC CORPORATION

March 13, 1995

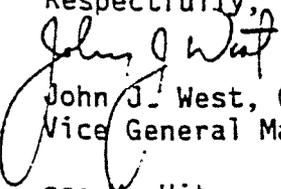
Roberta E. Detwiler
Chief Technical Accounting and Auditing Staff
RUS-BAD-TAAS-Room 2222-S
Washington, D.C. 20250-1500

Dear Ms. Detwiler:

RUS Bulletin 183-1, Depreciation Rates and Procedures, superseded October 28, 1977, prescribes depreciation rates for production and transmission plant, and recommends rates for general plant. No deviations are to be made from the prescribed rates without specific RUS approval, except where dictated by a regulatory Commission. As authorized by the Board on July 8, 1994, bids were solicited to conduct a comprehensive depreciation rate study of all Big Rivers facilities, with environmental compliance assets as defined by KRS 278.183 segregated. On September 8, 1994 Management Resources International, Inc. (MRI) of Reading Pennsylvania was selected to perform the study. MRI is a engineering consulting firm with more than 25 years experience devoted to the public utility industry. They are a recognized expert in the field of depreciation having performed more than 200 depreciation studies for gas, electric, steam, and water utilities. They have appeared as an expert depreciation witness before 16 state and municipal utility regulatory agencies and FERC. The study was completed January 11, 1995 and approved for implementation, subject to RUS approval, at the February 10, 1995 Board meeting. A copy of the Board resolution is included herein. This represents the first such study conducted for Big Rivers since 1980.

A complete copy of the depreciation study is submitted for your review. The accrual rate schedule therein is the source of the proposed rates per the February 1, 1995 memorandum, copy attached. We request RUS approval of the production and transmission rates stated in this depreciation study (and the memorandum) for immediate implementation. In our opinion, these depreciation accrual rates will provide for the proper and timely recovery of capital invested in depreciable property. We look forward to your timely response. Phone me if I can provide you with any additional information.

Respectfully,


John J. West, CPA
Vice General Manager of Finance

cc: M. Hite
B. Blackburn

Exhibit 2

Item 13

Page 11 of 101

MAY 2 1996

Mr. Paul A. Schmitz
Manager
Big Rivers Electric Corporation
P.O. Box 24
Henderson, Kentucky 42420

Dear Mr. Schmitz:

We have reviewed the depreciation study performed by Management Resources International for Big Rivers Electric Corporation (Big Rivers). The study requests the Rural Utilities Service's (RUS) approval of extended useful service lives for steam production, other production, transmission, and general plant.

Based upon the information provided, RUS is approving the use of the following estimated average service lives for the plant functions detailed below:

<u>Plant Function</u>	<u>Estimated Average Service Life</u>
Steam Production	40.6 years
Other Production	49.9 years
Transmission	42.5 years
General	13.9 years

These rates are approved for a 2-year period with retroactive application to January 1, 1996. If Big Rivers wishes to continue to utilize depreciation rates based upon extended estimated useful service lives, an updated depreciation study must be performed in 1997 and submitted to RUS in 1998. In addition to the information currently provided, the study submitted in 1998 should include the following:

1. A discussion of the operating and maintenance history of the units;

2. An analysis of the improvements and replacements made to existing units;

Mr. Paul A. Schmitz

3. A discussion of the current operating performance of the major components comprising each unit; and

4. A discussion of Big River's future plans for operating, maintaining, and upgrading the units.

If you have any questions or if we can be of any further assistance, please contact us.

Sincerely,

Alex M. Cockey, Jr.

ALEX M. COCKEY, JR.
Deputy Assistant Administrator
Electric Program

CC:
Official File (Depreciation Rates - NEAB)
Addressee
PASD
DAAE
ESD
PSOB-1
NPEB
FSS
NEAB-2 (KY 62)
Reading

RUS:PASD:TAAS:RDPurcell:720-5227:w:\BAD\TAAS\KY 62dep 4/17/96

**Calculation of Depreciation Expense Adjustment
On Big Rivers Eligible Pollution Control Plant**

	<u>Febr.</u> <u>1996</u>	<u>March</u> <u>1996</u>	<u>April</u> <u>1996</u>	<u>May</u> <u>1996</u>	<u>June</u> <u>1996</u>	<u>July</u> <u>1996</u>	<u>August</u> <u>1996</u>
Eligible Pollution Cont. Plant:							
Central Lab	292,073	292,073	292,073	292,073	292,073	292,073	292,073
Coleman	10,301,037	10,301,037	10,301,037	10,301,037	10,301,037	10,302,537	10,302,537
Green	79,319,483	79,319,483	79,380,419	79,384,127	79,384,127	79,387,477	79,393,710
HMP&L Station Two	38,119,605	38,123,263	38,140,628	38,140,628	38,140,628	38,140,628	37,651,704
Reid	1,561,160	1,561,160	1,561,160	1,561,160	1,561,160	1,561,160	1,561,160
Reid/HMP&L	124,998	127,670	127,715	127,715	129,406	129,406	129,406
Wilson	<u>193,796,146</u>	<u>193,796,146</u>	<u>193,796,146</u>	<u>193,796,146</u>	<u>193,800,200</u>	<u>193,800,200</u>	<u>193,800,200</u>
Totals	323,514,502	323,520,832	323,599,178	323,602,886	323,608,631	323,613,481	323,130,790
Accumulated Depreciation:							
Central Lab	53,365	54,943	55,977	57,012	58,046	59,081	60,115
Coleman	4,014,091	4,040,929	4,067,767	4,094,605	4,121,443	4,148,285	4,175,127
Green	39,926,985	40,109,293	40,291,741	40,474,198	40,656,654	40,839,118	41,021,597
HMP&L Station Two	1,602,528	1,733,019	1,868,175	2,003,270	2,138,363	2,250,945	2,384,307
Reid	874,428	878,560	882,692	886,824	890,956	895,088	899,220
Reid/HMP&L	16,256	16,938	17,390	17,843	18,295	18,754	19,212
Wilson	<u>57,317,918</u>	<u>57,818,710</u>	<u>58,319,502</u>	<u>58,820,294</u>	<u>59,321,096</u>	<u>59,821,899</u>	<u>60,322,701</u>
Totals	103,805,571	104,652,392	105,503,244	106,354,046	107,204,854	108,033,170	108,882,279
Net Plant:							
Central Lab	238,708	237,130	236,096	235,061	234,027	232,992	231,958
Coleman	6,286,946	6,260,108	6,233,270	6,206,432	6,179,594	6,154,252	6,127,410
Green	39,392,498	39,210,190	39,088,678	38,909,929	38,727,473	38,548,359	38,372,113
HMP&L Station Two	36,517,077	36,390,244	36,272,453	36,137,358	36,002,265	35,889,683	35,267,397
Reid	686,732	682,600	678,468	674,336	670,204	666,072	661,940
Reid/HMP&L	108,742	110,732	110,325	109,872	111,111	110,652	110,194
Wilson	<u>136,478,228</u>	<u>135,977,436</u>	<u>135,476,644</u>	<u>134,975,852</u>	<u>134,479,104</u>	<u>133,978,301</u>	<u>133,477,499</u>
Totals	219,708,931	218,868,440	218,095,934	217,248,840	216,403,777	215,580,311	214,248,511

**Calculation of the Effect of Deferring and Amortizing
Dredging Costs at Coleman Station**

<u>Mo.</u>	<u>Yr.</u>	<u>Dredging Cost Removal</u>	<u>Monthly Amortization</u>	<u>Cumulative Amortization</u>	<u>Unamort. Balance</u>	<u>Rate of Return</u>	<u>Return On Unamort. Bal.</u>	<u>Rev. Req. Change</u>
8	95	(313,058)	4,348	4,348	308,710	0.6223%	1,921	(306,789)
9	95	(271,066)	3,818	8,166	571,610	0.6223%	3,557	(259,343)
10	95	(359,861)	5,141	13,307	918,164	0.6223%	5,714	(340,841)
11	95	(398,995)	5,783	19,089	1,298,070	0.6223%	8,078	(371,828)
12	95	(184,581)	2,714	21,804	1,460,847	0.6223%	9,091	(153,686)
1	96	<u>0</u>	<u>0</u>	<u>21,804</u>	<u>1,439,044</u>	0.6223%	<u>8,955</u>	30,759
Totals		(1,527,561)		88,517			37,316	<u>(1,401,728)</u>

